

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Focus on Energy Quadrennial Planning Process IV

5-FE-104

COMMENTS FROM THE FOLLOWING WISCONSIN LOCAL GOVERNMENT CLIMATE

COALITION MEMBERS: CITY OF EAU CLAIRE, CITY OF GREEN BAY,

CITY OF LA CROSSE, CITY OF MADISON, CITY OF MIDDLETON,

CITY OF MILWAUKEE, CITY OF SUN PRAIRIE, DANE COUNTY, EAU CLAIRE COUNTY

Introduction

The Wisconsin Local Government Climate Coalition (WLGCC) members are pleased to submit these comments associated with Phase II of the Quad IV Focus on Energy planning docket. WLGCC members have a strong interest in the Focus on Energy program. First, the program is a valuable resource for local governments interested in saving energy in their own operations; WLGCC members have leveraged Focus' technical and financial resources to complete numerous projects. In addition, Focus on Energy is a valuable partner for WLGCC members as we pursue community wide efficiency and clean energy goals.

About 1 in 3 people in Wisconsin live in a WLGCC community. Climate impacts are often felt first at the local level where high heat or unprecedented precipitation events wreak havoc and jeopardize lives. Local governments are the first responders to climate-exacerbated weather events so climate resilience and climate action that mitigates further climate change are priorities for us. And we are not alone; increasingly [surveys](#) show that the majority of all residents in Wisconsin are worried about climate change. Readers will see our commitment to climate action and forward thinking throughout our comments.

Amid our climate crisis, Focus' work to promote energy efficiency and renewable energy is more important than ever. The program can help mitigate the environmental impacts of energy use while facilitating an equitable transition to a clean energy future. WLGCC members hope that Focus will play an important role in accelerating Wisconsin's transition to a carbon-free economy.

As reflected in our comments, WLGCC members believe that flexibility and simplicity are critical at this time. With tight resources and an evolving set of policy priorities, the Commission should

opt for simple solutions that maximize flexibility. In a time of tight resources overly complex formulas and restrictions just create additional work with minimal value to stakeholders.

Again, WLGCC members consider Focus on Energy an important ally in our efforts to achieve climate and clean energy goals. We appreciate the opportunity to collaborate with Focus at the local level and look forward to more successful partnerships during Quad IV.

Below we respond to each of the issues posed by Commission staff below with a recommendation followed by a short rationale.

PRIORITIES

A. How to state and track overall energy savings goals

Overall vs Fuel-Specific Savings Goals

Alt. 2: Establish an overall MMBtu goal without kWh and therm MPRs.

As noted above, this is a time of substantial change in technologies and markets. We encourage the Commission to give the Focus on Energy Administrator increased flexibility to adapt and thrive amid changing market conditions. The last Quad demonstrated how changes in natural gas prices can affect programs; rapid technology shifts can cause similar shifts. The Commission should set an ambitious MMBtu goal and hold the Administrator accountable for achieving results.

Lifecycle vs. Annual Savings Goals

Alt. 1: Status Quo. Maintain a four-year savings goal expressed in lifecycle savings.

Climate change is a long-term challenge. We prefer life cycle savings because it encourages investment in long-term measures like new construction. More, insofar as we encourage businesses and residents to think about lifecycle costs and benefits, Focus on Energy should be accountable for lifecycle savings.

B. Time-Varying Value of Energy Efficiency and Renewable Resources

Emphasis between Energy and Demand

Alt. 2: Establish goals based on reductions in energy use and peak demand reduction and increase the program's emphasis on demand reduction.

The shift toward electrification is creating peak power challenges across the Midwest, even though Wisconsin's utilities and regulators have worked hard to ensure appropriate power supplies. Accordingly, it is appropriate that Focus increase its emphasis on demand reduction, especially since that demand reduction is likely to accelerate reductions in carbon emissions. Increasing emphasis on

demand reduction is well within the scope of Focus on Energy; there is a clear distinction between peak demand reduction via energy efficiency and demand response programs, after all.

Time-Varying Value of Energy Efficiency and Renewable Resources

Alt. 1: Investigate opportunities to integrate the time-varying value of energy efficiency and renewable energy into program operations.

Sub-Alt. A: The Focus Delegated Commissioner shall determine the appropriate source of funds for this research at a later date.

In Phase I of Quad IV the Commission appropriately decided to explore how Focus on Energy can contribute to decarbonization during Quad IV. Key to fulfilling that commitment is investigating the time-varying value of energy efficiency and renewable energy. To maximize the program's flexibility relative to this research we recommend that the Focus Delegated Commissioner determine the appropriate source of funds at a later date. An additional consideration of this research should be the locational value of energy efficiency and renewable resources, as both time and locational variables are critical to understanding the true value of both energy load reduction and distributed energy resources and the impacts to both the electricity and natural gas infrastructure systems in Wisconsin. Location attributes should be considered in addition to time-varying attributes throughout the various decision points in Phase II of Quad IV."

C. Winter Peak Period Definition

Alt 1: Adopt a winter electric peak period definition and begin quantifying and tracking winter electric peak savings.

Electrification—of both transportation and buildings—will change peak periods in Wisconsin, especially in the winter. We believe it is critical that the Commission begin quantifying and tracking winter peak savings in Quad IV to stay on top of this evolving issue.

D. Peak Natural Gas

Other – pursue additional research to verify defining peak natural gas is warranted

It seems premature to set a peak natural gas definition at this time. If this issue merits action, perhaps the best course would be further research. More broadly, we were not clear about the objective of defining Peak Natural Gas at this time. Insofar as this would support beneficial electrification, we would

support action. If, however, this is intended to make some natural gas measures more cost effective we think it is less useful.

E. Emphasis between Business and Residential Programs

Alt. 1: Status Quo. 60 percent of funds shall be allocated to Business Programs; 40 percent to Residential programs.

We do not see a compelling argument to modify the funding split. The increased interest in reducing energy burden and addressing equity is aligned with maintaining 40% of funding for Residential Programs.

F. Resource Acquisition and Market Transformation

Alt. 2: Continue emphasizing near-term savings but increase the program's emphasis on market transformation by identifying ways to adapt Focus' existing portfolio to achieve long-term market effects. The Focus Evaluator shall report on progress to adapt existing portfolio activities to achieve long-term market effects.

Sub-Alt. A: Direct Commission staff to propose a heat pump adoption target in Phase III of Quad IV Planning.

Resource acquisition programs offer a transactional strategy for change whereas market transformation strategies enhance both the supply and demand for efficient options. Market transformation tends to be more enduring and cost effective in the long term. Decades ago Wisconsin utilities pioneered market transformation efforts in the US. To achieve ambitious climate goals we need more visionary efforts so we are enthusiastic about Focus on Energy exploring more ways to support market transformation.

Establishing a heat pump adoption target would clearly indicates the goals of a Market Transformation endeavor, and should consider the counter-balance between a heat pump measure that is potentially less cost-effective with the reality that Market Transformation is a complex intervention that has multiple ripple effects in the market.

Specific to the potential for a heat pump KPI, we think this is a very pragmatic way to deepen the program's current market transformation efforts and accelerate beneficial electrification. Identifying heat pumps as a long-term market transformation target will also help to increase the supply of heat pumps in our markets as manufacturers and distributors are keen to work with programs that commit to long-term market transformation goals rather than seasonal incentives.

G. Cost Effectiveness Decisions

H. Primary and Secondary Cost-Effectiveness Tests

Quad IV Primary Cost Effectiveness Test

Alt. 2: The Focus Portfolio shall meet an Expanded TRC Test of net cost-effectiveness.

Given the multiple goals set forth for Focus on Energy in the legislation, it seems most appropriate to measure program benefits using the expanded TRC.

Cost-Effectiveness – Secondary Tests

Alt. 2: Do not choose a cost-effectiveness test to be reported for informational purposes.

It is not clear from our perspective that calculating multiple cost effective tests provides useful information, especially in a time when budget dollars are tight and there are other pressing research needs. If there is a strong desire for a secondary test we think the Societal Cost Test is most appropriate. We are not persuaded that the Utility Cost Test or RIM add useful insights.

Cost-Effectiveness – Low-Income and Income-Qualified Programs

Alt. 3: Apply a benefits adder to programs and offerings targeting customers below **80** percent of statewide median income in Focus' primary cost-effectiveness test.

WLGCC advocates for Alt. 3 (benefits adder) as this would reflect the additional value provided to LI and IQ programs, and potentially be less administratively burdensome compared to exclusion from cost-effectiveness testing. These customer groups need resources most to complete energy efficiency and renewable energy projects, and a benefits adder would ease the tension between serving these customers in need and the cost-effectiveness challenges the portfolio faces. The logic model of such a benefits adder acknowledges that low income customers faces more hurdles to completing projects, and Focus on Energy is subsequently creating more impact through influencing these projects when compared to customers with more financial or technical resources. The program should also continue to build relationships with existing programs such as the state weatherization program in order to coordinate services and make the most impact for customers that need the most support.

I. Avoided Costs

Avoided Costs – Avoided Electric Energy Costs

Alt. 1: Status Quo. Maintain the current approach to calculating electric avoided energy costs.

Given the myriad of emerging issues that require prompt attention, we consider it a low priority to re-investigate well studied issues from previous Quads unless there is a compelling reason to do so. We recommend the Commission focus its limited resources on decarbonization and equity issues.

Avoided Costs – Avoided Electric Capacity Costs

Alt. 1: Status Quo. Maintain the current approach to calculating avoided electric capacity costs.

Given the myriad of emerging issues that require prompt attention, we consider it a low priority to re-investigate well studied issues from previous Quads unless there is a compelling reason to do so. We recommend the Commission focus its limited resources on decarbonization and equity issues.

Avoided Cost – Avoided Transmission and Distribution Costs

Alt. 1: Status Quo. Maintain the current approach to calculating avoided transmission and distribution costs.

Given the myriad of emerging issues that require prompt attention, we consider it a low priority to re-investigate well studied issues from previous Quads unless there is a compelling reason to do so. We recommend the Commission focus its limited resources on decarbonization and equity issues.

Avoided Cost – Natural Gas Avoided Costs

Alt 1: Status Quo. Maintain the current approach to calculating avoided natural gas costs.

Given the myriad of emerging issues that require prompt attention, we consider it a low priority to re-investigate well studied issues from previous Quads unless there is a compelling reason to do so. We recommend the Commission focus its limited resources on decarbonization and equity issues.

Carbon Value

Alt. 3: Use a social cost of carbon.

Climate change is already costing our communities millions of dollars – social cost of carbon is the only appropriate value. Social cost of carbon values have been thoroughly researched and utilizing these

values would be a reasonable way to value the associated GHG emissions reductions as a result of Focus on Energy offerings.

Discount Rate

Alt. 1: Use a zero percent discount rate.

As we move forward in the climate crisis, future benefits of current programs are going to be more and more valuable. Discounting the future is part of what got us into the climate crisis; it is past time we recognized that environmental benefits become more valuable over time not less.

BUDGETS

A. Overall Budget Determination

B. Budgets – Energy Efficiency & Renewables

Alt. 4: Do not set a spending maximum for renewables and allow the Program Administrator to allocate funding as necessary to meet the Commission’s goals as long as spending aligns with Focus’ statutory obligations and Commission policies.

In its first iteration the Focus on Energy program had minimum spending levels for renewables in the statute; those guidelines were likely intended to ensure that the program would include some investment in nascent technologies. Coincident with Focus’ shift to the Commission, the legislature removed the spending minimums and the Commission set renewables budgets as spending maximums. Again, this made sense in earlier Quads when renewables were less cost effective than efficiency measures; a budget maximum mitigated the risk that surging renewable installations would jeopardize the overall cost effectiveness of the Focus portfolio. Today, though, our renewables markets—especially the solar PV market—is more mature and solar PV is a very cost effective measure. We encourage the Commission to recognize the market changes and give the Administrator the ability to integrate renewables into their program mix without constraints.

Removing the spending maximum also reduces the administrative burden for the Focus on Energy team. Time spent tracking categories of spending is time not spent helping customers implement projects.

Finally, we would note again that Quad IV will be a time of significant change in the energy industry. Having fewer programmatic constraints on Focus on Energy will enable the program to better respond to changing market conditions. Simplicity and flexibility will be assets in Quad IV.

C. Budgets – Underserved and Rural

Alt. 3: Direct the Program Administrator to conduct analysis during the first year of Quad IV to better identify underserved customers, target program offerings and develop KPIs. Report back to the Commission by March 31, 2024.

Other: Analysis should consider energy burden, customer location (rural vs urban), and customer segments (e.g., renters, small business), yielding one or more KPI(s).

We encourage the Commission to take a fresh look at the question of who is underserved before segmenting funds for targeted programs. The historic investment in rural regions of the state has been successful in increasing participation in both programs targeted to rural populations and standard Focus on Energy programs. That signals that targeting is effective. To pursue additional targeted investments, though, Focus needs updated data about who is underserved. The analysis should not be limited to geography or energy burden or customer segment but should, instead, encompass all of those considerations.

Once the underserved segments are identified we recommend the Commission work with the Administrator to set one or more KPIs associated with increasing participation in that segment. The Commission should give the Administrator flexibility to implement strategies as necessary to meet the KPI, holding the Administrator accountable for results rather than spending levels.

D. Budgets – EERD

Other: Program Administrator recommend for Commission Approval

The Program Administrator should have more autonomy to decide research needs based on their goals and priorities over the Quad so WLGCC recommends that the Commission ask the Program Administrator to come back to PSC with recommendation for Commission approval. WLGCC supports both Alt. 2 (increased budget) and Alt. 4 (identify other sources of funding) recognizing that existing or even doubled funding levels fall short of the research rigor needed to advance new technology or program designs. WLGCC urges consideration of even higher funding levels for EERD, which could be justified by tying stated research objectives to questions raised in this memo (Time-Varying Value of Energy Efficiency and Renewable Resources, Winter Peak period Definition). Additionally, energy efficiency programs throughout the country undoubtedly have these same research considerations, and partnerships/co-funding of efforts should be explored further.

E. Behavioral Programs

Alt. 1: Focus funds may be used for behavioral pilots at the discretion of the Program Administrator.

Behavioral programs are well established across the country. Wisconsin is missing low cost savings by creating additional administrative barriers to these program options. We recommend the Commission allow the Administrator to create a portfolio that includes whatever programs—technological or behavioral—the Administrator determines to best fulfill the Commissions goals for Focus on Energy. And then the Commission should hold the Administrator accountable for the results of that portfolio.

Community's currently utilizing behavioral programs offered by Focus on Energy (Virtual Commissioning Pilot, WPPI Energy Challenge which was informed by the Save to Give Pilot) have already realized value from these offerings. Specifically, having a technical resource that can review existing building HVAC controls operations and adjusting set-points in real time can not only save energy at no cost to the customer, but also unlock the value of AMI infrastructure and can build utility affinity. With residential/community energy challenges, these approaches offer new ways for the municipalities and utilities to engage customers, provide education, and recognize energy efficiency champions.

CONCLUSION

Again, we appreciate the opportunity to comment on Phase II of the Quad IV Planning Process. As noted above, WLGCC communities consider Focus on Energy a vital partner in our local clean energy and climate action goals.

Dated this 27th day of July, 2022.

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